

# Consolidated financial statements



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# Consolidated balance sheet as at 31 December 2017

N01

<b>Assets</b> in EUR thousand	Notes	31.12.2017	31.12.2016 <sup>1</sup>
Fixed-income securities – held to maturity	6.1	336,182	484,955
Fixed-income securities – loans and receivables	6.1	2,455,164	2,563,594
Fixed-income securities – available for sale	6.1	31,281,908	32,182,173
Fixed-income securities – at fair value through profit or loss	6.1	212,042	239,917
Equity securities – available for sale	6.1	37,520	905,307
Other financial assets – at fair value through profit or loss	6.1	88,832	57,665
Real estate and real estate funds	6.1	1,968,702	1,792,919
Investments in associated companies	6.1	121,075	114,633
Other invested assets	6.1	1,761,678	1,764,678
Short-term investments	6.1	958,669	838,987
Cash and cash equivalents	6.1	835,706	848,667
<b>Total investments and cash under own management</b>		<b>40,057,478</b>	<b>41,793,495</b>
Funds withheld	6.2	10,735,012	11,673,259
Contract deposits	6.3	167,854	170,505
<b>Total investments</b>		<b>50,960,344</b>	<b>53,637,259</b>
Reinsurance recoverables on unpaid claims	6.7	1,651,335	1,506,292
Reinsurance recoverables on benefit reserve	6.7	959,533	1,189,420
Prepaid reinsurance premium	6.7	96,402	134,927
Reinsurance recoverables on other technical reserves	6.7	7,301	12,231
Deferred acquisition costs	6.4	2,228,246	2,264,034
Accounts receivable	6.4	3,821,124	3,678,030
Goodwill	6.5	91,692	64,609
Deferred tax assets	7.5	466,564	408,292
Other assets	6.6	904,253	674,389
Accrued interest and rent		10,052	9,978
Assets held for sale		–	15,086
<b>Total assets</b>		<b>61,196,846</b>	<b>63,594,547</b>

<sup>1</sup> Restated pursuant to IAS 8 (cf. section 3.1 of the notes)

<b>Liabilities</b> in EUR thousand	Notes	<b>31.12.2017</b>	31.12.2016 <sup>1</sup>
Loss and loss adjustment expense reserve	6.7	28,378,545	28,129,418
Benefit reserve	6.7	8,977,946	10,313,952
Unearned premium reserve	6.7	3,541,194	3,382,498
Other technical provisions	6.7	394,460	362,390
Funds withheld	6.8	974,786	1,234,073
Contract deposits	6.9	3,949,207	4,298,343
Reinsurance payable		980,241	1,216,036
Provisions for pensions	6.10	177,786	180,680
Taxes	7.5	319,845	409,023
Deferred tax liabilities	7.5	1,819,867	1,842,973
Other liabilities	6.11	654,338	680,396
Long-term debt and subordinated capital	6.12	1,742,073	1,804,218
<b>Total liabilities</b>		<b>51,910,288</b>	<b>53,854,000</b>
Shareholders' equity			
Common shares	6.13	120,597	120,597
Nominal value: 120,597			
Conditional capital: 60,299	6.13		
Additional paid-in capital		724,562	724,562
<b>Common shares and additional paid-in capital</b>		<b>845,159</b>	<b>845,159</b>
Cumulative other comprehensive income			
Unrealised gains and losses on investments		818,350	904,196
Cumulative foreign currency translation adjustment		(62,548)	680,082
Changes from hedging instruments		(6,292)	(6,703)
Other changes in cumulative other comprehensive income		(50,598)	(53,778)
<b>Total other comprehensive income</b>		<b>698,912</b>	<b>1,523,797</b>
Retained earnings		6,984,407	6,628,274
<b>Equity attributable to shareholders of Hannover Rück SE</b>		<b>8,528,478</b>	<b>8,997,230</b>
Non-controlling interests	6.14	758,080	743,317
<b>Total shareholders' equity</b>		<b>9,286,558</b>	<b>9,740,547</b>
<b>Total liabilities</b>		<b>61,196,846</b>	<b>63,594,547</b>

<sup>1</sup> Restated pursuant to IAS 8 (cf. section 3.1 of the notes)

# Consolidated statement of income 2017

N02

in EUR thousand	Notes	1.1.–31.12.2017	1.1.–31.12.2016 <sup>1</sup>
Gross written premium	7.1	17,790,506	16,353,622
Ceded written premium		1,696,082	1,749,624
Change in gross unearned premium		(437,768)	(163,914)
Change in ceded unearned premium		(24,986)	(29,808)
<b>Net premium earned</b>		<b>15,631,670</b>	<b>14,410,276</b>
Ordinary investment income	7.2	1,289,033	1,161,976
Profit/loss from investments in associated companies	7.2	16,006	9,101
Realised gains and losses on investments	7.2	377,093	206,296
Change in fair value of financial instruments	7.2	38,569	26,066
Total depreciation, impairments and appreciation of investments	7.2	70,949	76,028
Other investment expenses	7.2	110,778	109,140
<b>Net income from investments under own management</b>		<b>1,538,974</b>	<b>1,218,271</b>
Income/expense on funds withheld and contract deposits	7.2	234,915	332,149
<b>Net investment income</b>		<b>1,773,889</b>	<b>1,550,420</b>
Other technical income	7.3	822	470
<b>Total revenues</b>		<b>17,406,381</b>	<b>15,961,166</b>
Claims and claims expenses	7.3	12,193,079	10,811,325
Change in benefit reserves	7.3	(571)	83,010
Commission and brokerage, change in deferred acquisition costs	7.3	3,499,270	2,978,642
Other acquisition costs		14,141	16,292
Other technical expenses	7.3	3,781	3,997
Administrative expenses	7.3	411,297	401,545
<b>Total technical expenses</b>		<b>16,120,997</b>	<b>14,294,811</b>
Other income and expenses	7.4	78,971	22,993
<b>Operating profit/loss (EBIT)</b>		<b>1,364,355</b>	<b>1,689,348</b>
Interest on hybrid capital	6.12	71,736	71,693
<b>Net income before taxes</b>		<b>1,292,619</b>	<b>1,617,655</b>
Taxes	7.5	248,042	391,229
<b>Net income</b>		<b>1,044,577</b>	<b>1,226,426</b>
thereof			
Non-controlling interest in profit and loss	6.14	86,022	55,197
<b>Group net income</b>		<b>958,555</b>	<b>1,171,229</b>
<b>Earnings per share (in EUR)</b>	<b>8.5</b>		
Basic earnings per share		7.95	9.71
Diluted earnings per share		7.95	9.71

<sup>1</sup> Restated pursuant to IAS 8 (cf. section 3.1 of the notes)

# Consolidated statement of comprehensive income 2017

N03

in EUR thousand	1.1.–31.12.2017	1.1.–31.12.2016
<b>Net income</b>	<b>1,044,577</b>	<b>1,226,426</b>
<b>Not reclassifiable to the consolidated statement of income</b>		
<b>Actuarial gains and losses</b>		
Gains (losses) recognised directly in equity	4,969	(27,889)
Tax income (expense)	(1,594)	9,101
	<b>3,375</b>	<b>(18,788)</b>
<b>Income and expense recognised directly in equity that cannot be reclassified</b>		
Gains (losses) recognised directly in equity	4,969	(27,889)
Tax income (expense)	(1,594)	9,101
	<b>3,375</b>	<b>(18,788)</b>
<b>Reclassifiable to the consolidated statement of income</b>		
<b>Unrealised gains and losses on investments</b>		
Gains (losses) recognised directly in equity	246,129	382,225
Transferred to the consolidated statement of income	(362,273)	(163,222)
Tax income (expense)	13,060	741
	<b>(103,084)</b>	<b>219,744</b>
<b>Currency translation</b>		
Gains (losses) recognised directly in equity	(802,819)	179,194
Tax income (expense)	49,843	(5,365)
	<b>(752,976)</b>	<b>173,829</b>
<b>Changes from the measurement of associated companies</b>		
Gains (losses) recognised directly in equity	(936)	(7,836)
Transferred to the consolidated statement of income	–	(1,251)
	<b>(936)</b>	<b>(9,087)</b>
<b>Changes from hedging instruments</b>		
Gains (losses) recognised directly in equity	(79)	(5,825)
Tax income (expense)	476	295
	<b>397</b>	<b>(5,530)</b>
<b>Reclassifiable income and expense recognised directly in equity</b>		
Gains (losses) recognised directly in equity	(557,705)	547,758
Transferred to the consolidated statement of income	(362,273)	(164,473)
Tax income (expense)	63,379	(4,329)
	<b>(856,599)</b>	<b>378,956</b>
<b>Total income and expense recognised directly in equity</b>		
Gains (losses) recognised directly in equity	(552,736)	519,869
Transferred to the consolidated statement of income	(362,273)	(164,473)
Tax income (expense)	61,785	4,772
	<b>(853,224)</b>	<b>360,168</b>
<b>Total recognised income and expense</b>	<b>191,353</b>	<b>1,586,594</b>
thereof		
Attributable to non-controlling interests	57,683	75,079
Attributable to shareholders of Hannover Rück SE	133,670	1,511,515

# Consolidated statement of changes in shareholders' equity 2017

N04

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains/losses	Currency translation
<b>Balance as at 1.1.2016</b>	<b>120,597</b>	<b>724,562</b>	<b>712,001</b>	<b>509,189</b>
Changes in ownership interest with no change of control status	–	–	–	109
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised directly in equity	–	–	192,195	170,784
Net income	–	–	–	–
Dividends paid	–	–	–	–
<b>Balance as at 31.12.2016</b>	<b>120,597</b>	<b>724,562</b>	<b>904,196</b>	<b>680,082</b>
<b>Balance as at 1.1.2017</b>	<b>120,597</b>	<b>724,562</b>	<b>904,196</b>	<b>680,082</b>
Changes in ownership interest with no change of control status	–	–	–	–
Changes in the consolidated group	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised in equity	–	–	(85,846)	(742,630)
Net income	–	–	–	–
Dividends paid	–	–	–	–
<b>Balance as at 31.12.2017</b>	<b>120,597</b>	<b>724,562</b>	<b>818,350</b>	<b>(62,548)</b>

Continuation: Other reserves (cumulative other comprehensive income)		Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
Hedging instruments	Other				
<b>(1,217)</b>	<b>(36,571)</b>	<b>6,039,783</b>	<b>8,068,344</b>	<b>709,126</b>	<b>8,777,470</b>
–	–	(9,889)	(9,780)	(980)	(10,760)
–	–	–	–	210	210
–	–	–	–	(1)	(1)
–	–	(13)	(13)	–	(13)
(5,486)	(17,207)	–	340,286	19,882	360,168
–	–	1,171,229	1,171,229	55,197	1,226,426
–	–	(572,836)	(572,836)	(40,117)	(612,953)
<b>(6,703)</b>	<b>(53,778)</b>	<b>6,628,274</b>	<b>8,997,230</b>	<b>743,317</b>	<b>9,740,547</b>
<b>(6,703)</b>	<b>(53,778)</b>	<b>6,628,274</b>	<b>8,997,230</b>	<b>743,317</b>	<b>9,740,547</b>
–	–	618	618	160	778
–	–	–	–	461	461
–	–	–	–	559	559
–	–	–	–	(19)	(19)
–	–	(54)	(54)	–	(54)
411	3,180	–	(824,885)	(28,339)	(853,224)
–	–	958,555	958,555	86,022	1,044,577
–	–	(602,986)	(602,986)	(44,081)	(647,067)
<b>(6,292)</b>	<b>(50,598)</b>	<b>6,984,407</b>	<b>8,528,478</b>	<b>758,080</b>	<b>9,286,558</b>

# Consolidated cash flow statement 2017

N05

in EUR thousand	1.1.–31.12.2017	1.1.–31.12.2016 <sup>1</sup>
<b>I. Cash flow from operating activities</b>		
Net income	1,044,577	1,226,426
Appreciation/depreciation	113,569	105,358
Net realised gains and losses on investments	(377,093)	(206,296)
Change in fair value of financial instruments (through profit or loss)	(38,569)	(26,066)
Realised gains and losses on deconsolidation	(191)	(1,995)
Income from the recognition of negative goodwill	–	(10,543)
Amortisation of investments	57,735	74,224
Changes in funds withheld	54,510	1,592,162
Net changes in contract deposits	(25,992)	(404,033)
Changes in prepaid reinsurance premium (net)	462,495	189,724
Changes in tax assets/provisions for taxes	(105,658)	88,078
Changes in benefit reserve (net)	(545,687)	(1,118,242)
Changes in claims reserves (net)	1,871,147	1,123,269
Changes in deferred acquisition costs	(129,259)	(98,986)
Changes in other technical provisions	57,219	20,254
Changes in clearing balances	(581,817)	(161,164)
Changes in other assets and liabilities (net)	(163,133)	(60,887)
<b>Cash flow from operating activities</b>	<b>1,693,853</b>	<b>2,331,283</b>

<sup>1</sup> Restated pursuant to IAS 8 (cf. section 3.1 of the notes)



in EUR thousand	1.1. – 31.12.2017	1.1. – 31.12.2016
<b>II. Cash flow from investing activities</b>		
Fixed-income securities – held to maturity		
Maturities	135,297	504,293
Fixed-income securities – loans and receivables		
Maturities, sales	229,949	533,319
Purchases	(181,016)	(224,906)
Fixed-income securities – available for sale		
Maturities, sales	10,061,559	10,744,087
Purchases	(11,384,950)	(12,721,891)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	6,569	53,995
Purchases	–	(185,375)
Equity securities – available for sale		
Sales	975,776	132,636
Purchases	(35,373)	(504,713)
Other financial assets – at fair value through profit or loss		
Sales	42,674	30,025
Purchases	(90,223)	(16,064)
Other invested assets		
Sales	247,258	260,882
Purchases	(327,224)	(385,936)
Affiliated companies and participating interests		
Sales	3,873	41,068
Purchases	(118,912)	(76,217)
Real estate and real estate funds		
Sales	167,121	79,428
Purchases	(481,126)	(204,044)
Short-term investments		
Changes	(180,377)	255,823
Other changes (net)	(13,125)	(27,960)
<b>Cash flow from investing activities</b>	<b>(942,250)</b>	<b>(1,711,550)</b>

in EUR thousand	1.1.–31.12.2017	1.1.–31.12.2016
<b>III. Cash flow from financing activities</b>		
Contribution from capital measures	559	7,762
Payment on capital measures	(4,508)	(20,048)
Structural change without loss of control	778	141
Dividends paid	(647,067)	(612,953)
Proceeds from long-term debts	57,734	226
Repayment of long-term debts	(97,486)	(2,028)
Other changes (net)	(54)	(13)
<b>Cash flow from financing activities</b>	<b>(690,044)</b>	<b>(626,913)</b>
<b>IV. Exchange rate differences on cash</b>	<b>(74,520)</b>	<b>34,852</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>848,667</b>	<b>820,995</b>
<b>Change in cash and cash equivalents (I. + II. + III. + IV.)</b>	<b>(12,961)</b>	<b>27,672</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>835,706</b>	<b>848,667</b>
<b>Supplementary information on the cash flow statement<sup>1</sup></b>		
Income taxes paid (on balance)	(387,247)	(271,440)
Dividend receipts <sup>2</sup>	268,916	151,914
Interest received	1,454,903	1,543,699
Interest paid	(272,831)	(253,533)

<sup>1</sup> The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.

<sup>2</sup> Including dividend-like profit participations from investment funds